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DIRECT TESTIMONY
OF
CHRIS SCHELL
ON BEHALF OF
SOUTH CAROLINA MERCHANTS ASSOCIATION
DOCKET NO. 2002-223-E

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND
RELATIONSHIP WITH THE SOUTH CAROLINA MERCHANTS
ASSOCIATION.**

A. My name is Chris Schell. I am employed by BI-LO, as Manager of Construction,
Energy and Environmental Services. My business address is 208 BI-LO Boulevard,
Greenville, SC 29607. BI-LO is a member company of the South Couth Carolina
Merchants Association.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
PROFESSIONAL EXPERIENCE.**

A. I received a Bachelor of Science degree in Business Administration from Boston
College and have completed postgraduate work in Mechanical Engineering at
Northeastern University. I am a past member of the Association of Energy Engineers.
My Work experience includes 18 years with CVS Pharmacy in various facility
management positions, including Corporate Energy Manager for over 1,500 retail
stores in 15 states. I also spent several years working in Richmond, Virginia as an
Energy Engineer for a subsidiary of Virginia Power. I began my career with BI-LO

1 in 1999 as a Corporate Energy Manager and assumed my current position in 2000. I
2 am responsible for all construction activity in the four states where we do business as
3 well as overseeing our energy program, which includes energy reduction initiatives,
4 energy procurement and energy management.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. I will describe the cumulative effect of SCE&G's proposed rate increase on the retail
7 merchants across South Carolina, and specifically the grocery stores located in
8 SCE&G's service territory.

9 **Q. HOW MANY COMPANIES DOES THE SOUTH CAROLINA MERCHANTS**
10 **ASSOCIATION REPRESENT? IN HOW MANY COUNTIES DO THESE**
11 **COMPANIES PROVIDE RETAIL SERVICES?**

12 A. SCMA has over 350 member companies that together provide retail service
13 operations to residents of all 46 South Carolina counties.

14 **Q. PLEASE DESCRIBE THE NUMBER OF GROCERY STORES**
15 **REPRESENTED BY THIS INTERVENTION ACROSS SOUTH CAROLINA.**

16 A. The SCMA is intervening on behalf of the major grocery store operators who have
17 over 550 grocery stores providing retail food services to citizens of South Carolina.
18 Additionally, there are thousands of independent grocery and food store operators
19 across South Carolina.

20 **Q. PLEASE DESCRIBE THE NUMBER OF EMPLOYEES WORKING FOR**
21 **THESE GROCERY STORES ACROSS SOUTH CAROLINA.**

22 A. In South Carolina, the grocery stores represented in this intervention employ
23 approximately 35,000 South Carolina citizens.

1 **Q. HOW MANY EMPLOYEES ARE EMPLOYED BY BI-LO?**

2 A. BI-LO is the largest grocery retailer in South Carolina – employing 12,000 associates
3 in over 140 locations across the state.

4 **Q. HOW MUCH ENERGY IS CONSUMED BY BI-LO GROCERY STORES**
5 **ACROSS SOUTH CAROLINA?**

6 A. BI-LO annually consumes in excess of 300 million kWh of electricity in South
7 Carolina, with approximately 25% of this consumption from SCE&G electric service.

8 **Q. HOW MUCH ELECTRIC ENERGY IS PURCHASED FOR CONSUMPTION**
9 **BY THE SCMA INTERVENERS' GROCERY STORES FROM SCE&G?**

10 A. The grocery stores in this proceeding purchase for consumption approximately 367
11 million kWh of electricity annually from SCE&G.

12 **Q. DESCRIBE THE IMPACT THAT SCE&G's PROPOSED RATE INCREASE**
13 **WILL HAVE ON THE GROCERY STORES REPRESENTED BY SCMA.**

14 A. SCE&G's request places a disproportionate burden on commercial customers that
15 will result in significant additional cost to our bottom line. Such additional costs
16 must be recovered in some manner. Energy costs represent our second largest
17 operating expense after labor. Every additional energy dollar spent reduces our
18 operating income and ultimately reduces our ability to continue to provide
19 competitive prices, convenient shopping centers, and thousands of jobs in each
20 community where we do business.

21 **Q. COMPARE SCE&G's RATES TO OTHER INVESTOR OWNED UTILITIES**
22 **(IOUs) IN THE CAROLINAS AND GEORGIA.**

1 A. Currently, SCE&G has higher rates than several of the IOUs in South Carolina, North
2 Carolina, and Georgia. Comparatively, SCE&G currently is approximately 23%
3 higher than Duke Power, 8% higher than Carolina Power & Light, and 6% higher
4 than Georgia Power.

5 **Q. DESCRIBE THE EFFECT THESE HIGHER RATES CURRENTLY HAVE**
6 **ON SALES, AND THE FUTURE IMPACT ON SALES IF SCE&G'S**
7 **PROPOSED RATE INCREASES ARE APPROVED.**

8 A. Comparing SCE&G's current rates to those of Duke Power, the grocery stores
9 represented in this intervention must increase sales by approximately \$128 million
10 annually to offset the difference in cost. Moreover, if the proposed rate increase were
11 approved, the grocery stores would have to increase sales by approximately \$210
12 million annually.

13 **Q. DESCRIBE SCE&G's QUALITY OF PROVIDING ELECTRIC SERVICE.**

14 A. SCE&G, like most other electric suppliers throughout the Carolinas and Georgia,
15 generally provides dependable service to grocery retailers, and most grocers have not
16 had any significant problems with outages or power restoration. Nowhere in
17 SCE&G's application, however, does SCE&G propose to improve its service in any
18 way. The Public Service Commission (PSC) accordingly should note that SCE&G's
19 rate increase proposal is not based on SCE&G's incurrence of any additional costs
20 needed to improve service to its customers. Indeed, SCE&G proposes to provide the
21 same quality of service that customers have come to expect from other utilities, but at
22 a much higher cost.

1 **Q. HOW DOES SCE&G'S TECHNOLOGY CAPABILITY COMPARE TO THAT**
2 **OFFERED BY OTHER UTILITIES SERVING SOUTH CAROLINA?**

3 A. As to electricity suppliers across South Carolina, SCE&G currently is technology
4 deficient as it pertains to access to usage and billing information on a store by store
5 basis. Other electric suppliers operating in South Carolina have managed to
6 overcome similar deficiencies in technology, while still providing reliable electric
7 service, and at a much lower overall cost than SCE&G. SCE&G's failure to upgrade
8 its technology for usage and billing purposes is but one more factor the PSC should
9 consider when it evaluates the reasonableness of SCE&G's request for higher rates.

10 **Q. ARE THERE OTHER EXAMPLES OF SCE&G'S LAGGING BEHIND**
11 **OTHER UTILITIES IN TERMS OF SERVICE OFFERINGS?**

12 A. Yes. Commercial and industrial customers often request electric utilities to install a
13 back-up feed, known as a loop feed, at such customers' businesses and facilities.
14 Such loop feeds enable those customers to avoid service disruptions and remain open
15 for business even when the primary feed is taken out of service for repair. SCE&G
16 imposes a charge for installing loop feeds, regardless of the circumstance, while other
17 electric utilities only charge for loop feeds if substantial work is required for their
18 installation. SCE&G's practice in this regard is another example of SCE&G's
19 lagging behind its peers in terms of quality of service.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes, it does.